



Arnold Schwarzenegger, Governor
State of California
Business, Transportation and Housing Agency

Department of Managed Health Care

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March 3, 2009

DELIVERED VIA U.S. MAIL

Mr. Alan Bloom
Vice President, Legal and Regulatory Affairs
Care 1st Health Plan
601 N. Potrero Grande Drive
Monterey Park, CA 91755

**RE: Enforcement Matter No. 06-180
Failure to File Material Modifications or Amendments**

LETTER OF AGREEMENT

Dear Mr. Bloom:

The Office of Enforcement of the California Department of Managed Health Care (the Department) has completed its investigation of the above-referenced matter. The Department has concluded there is sufficient evidence to support the allegation that Care 1st Health Plan (the Plan or Care 1st) has violated the Knox-Keene Health Care Service Plan Act of 1975, as amended, California Health and Safety Code section 1340 et seq. (the Knox-Keene Act).

Pursuant to Health and Safety Code section 1352, a licensed plan is required to give notice to the director prior to any material modification of its plan or operations. Health and Safety Code section 1352.1 further requires health plans to file with the director all new or modified plan contracts. In this case, the Plan failed to timely file a material modification for two of its wholly owned subsidiaries that it established in 2002 and 2003, namely, One Care Health Systems and Care 1st Health Plan Arizona. In addition, the Plan failed to timely file an administrative services agreement regarding the services that it provides to Care 1st Health Plan Arizona. The Plan did not file the required amendments and notices until 2006, approximately three years beyond the mandatory timeframe.

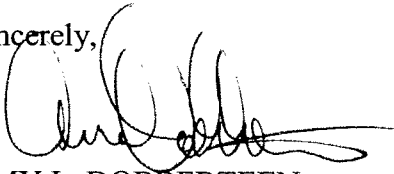
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DEPARTMENT OF MANAGED HEALTH CARE
ACCOUNTING OFFICE

Alan Bloom
Letter of Agreement (06-180)
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Based on the above facts, the Department has concluded there is sufficient evidence that Care 1st has violated Health and Safety Code sections 1352 and 1352.1. In addition, the Department has considered the following mitigating factors as provided by the Plan: the subsidiary One Care Health Systems was never capitalized, activated, or operational; and the Plan has minimal connection to the subsidiary Care 1st Health Plan Arizona. Accordingly, the Department has determined an administrative penalty of \$2,500 is warranted. The Plan has acknowledged its violations, and has agreed to pay the penalty.

The Department agrees that execution of this Letter of Agreement and payment of the penalty will settle this enforcement matter. It is further agreed that this Letter of Agreement may be considered and used by the Department as an official record of the violations described herein.

Sincerely,



AMY L. DOBBERTEEN
Assistant Deputy Director
Office of Enforcement

AML:slb

ACCEPTED BY CARE 1ST HEALTH PLAN

Date:

3/12/09



ALAN BLOOM
Vice President, Legal and Regulatory Affairs
Care 1st Health Plan